United Nations A/63/496

General Assembly

Distr.: General
21 October 2008

Original: English

Sixty-third session
Agenda items 118 and 132

Programme budget for the biennium 2008-2009

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

First progress report on the adoption of International Public Sector Accounting Standards by the United Nations

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards by the United Nations (A/62/806). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. In its resolution 60/283, the General Assembly approved the adoption by the United Nations of the International Public Sector Accounting Standards (IPSAS), as well as the resources requested to begin the process of implementing IPSAS. In his report on the progress and impact assessment of management improvement measures (A/62/69), the Secretary-General provided an update on the adoption of IPSAS. In his first progress report, the Secretary-General set out a more comprehensive description of the progress made up to 31 March 2008 towards implementation of IPSAS across the United Nations system and at the United Nations itself. The Advisory Committee commented on the issue in its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2007 (A/63/474, paras. 20-23).

3. The Advisory Committee notes from the first progress report of the Secretary-General that the system-wide IPSAS adoption project falls under the auspices of the Chief Executives Board High-Level Committee on Management, which is responsible for coordination in the administrative and management areas across the United Nations system. The substantive work of the Finance and Budget Network of the High-Level Committee on Management in the area of accounting standards is carried out by the Task Force on Accounting Standards. In addition, a system-wide Steering Committee for the project, which was established in March 2006 and is a

08-56364 (E) 231008

sub-group of the Task Force on Accounting Standards, is tasked with developing the broad accounting policies to support consistency and harmonization and with facilitating consideration of common implementation issues. Regional focus groups have also been established in New York, Geneva, Vienna and Rome. **The Advisory Committee notes the involvement of the High-Level Committee on Management and encourages the Secretary-General, as Chairman of CEB, to continue to make full use of the Network and the relevant task forces in order to enhance coordination of all aspects of the transition from the United Nations System Accounting Standards to IPSAS by the United Nations system and the implementation of the standards. The Advisory Committee recommends that the General Assembly request the Secretary-General to provide detailed information on the ongoing work of the High-Level Committee on Management in this regard in the second progress report on IPSAS, as well as in the next report of CEB.**

4. In his report (A/62/806), the Secretary-General noted that, since the approval by the High-Level Committee on Management of the system-wide project in 2005, progress had been most evident in the areas of project governance and organization, in the development of IPSAS-compliant harmonized accounting policies and guidance and in communication and training. In section II of the report, the Secretary-General provided details concerning the implementation strategy and progress achieved to date. The Secretary-General noted that the system-wide IPSAS adoption project included a "two-level" approach and phased implementation. The two-level approach involved providing resources at both the system-wide level and the individual organizational level. At the system-wide level, harmonized IPSAS accounting policies and guidance were developed through a consultative process; at the individual organization level, each entity was responsible for establishing its own project team and dedicating sufficient resources to ensure implementation of IPSAS. The phased implementation strategy recognized that some United Nations system organizations were at a more advanced stage of readiness for IPSAS adoption than others and were targeting implementation effective 2008, while the majority of the organizations would benefit from the lessons learned and were targeting IPSAS adoption effective 2010 or as soon as possible thereafter. **The Committee supports this approach and encourages the Secretary-General to draw on the experiences of other organizations and entities, wherever relevant and feasible.**

5. The Secretary-General also noted in his report that, in order for United Nations system organizations to meet the target of 2010 for adoption of IPSAS, significant progress must be made towards the implementation of the required information systems, the establishment of detailed IPSAS-compliant procedures and the training of staff by the end of 2009. Progress in that regard was assessed by the system-wide project team at six-month intervals. In this connection, the Advisory Committee recalls that the Board of Auditors had carried out a gap analysis relating to the implementation of IPSAS as well as new or upgraded enterprise resource planning systems (see A/63/5 (Vol. I), chap. II, paras. 121-124; and A/63/474, para. 20). The Board observed that United Nations entities were at different stages in the preparation for IPSAS and that a number of challenges remained. For example, the United Nations Development Programme IPSAS implementation plan had not yet been approved; the United Nations Human Settlements Programme had not yet initiated the preparation process; and the United Nations Office for Project Services

would require a tailor-made system to ensure compatibility with the Atlas system used by its business partners. In this connection, the Advisory Committee notes that the Joint Inspection Unit is carrying out a review of the preparedness of United Nations system organizations for IPSAS.

6. In his report, the Secretary-General stated that the Controllers of the United Nations Development Group Executive Committee agencies (United Nations Development Programme, United Nations Children's Fund, United Nations Population Fund and World Food Programme) and the Controller of the United Nations had been collaborating on the development of one set of harmonized financial regulations and rules for the five organizations to reflect the necessary changes required for the adoption of IPSAS (A/62/806, para. 51). Upon enquiry, the representatives of the Secretary-General indicated that the internal review process with regard to the harmonization of the financial regulations and rules was expected to be completed by the end of 2008 and that the proposed revisions would be submitted to the General Assembly in 2009.

7. In paragraph 17 of his report, the Secretary-General noted that one of the remaining IPSAS-compliant accounting policies still under consideration related to consolidation. IPSAS required that, if an organization was found to "control" another entity (where "control" was defined by IPSAS), then that entity must be fully consolidated into the organization's financial statements. The Advisory Committee commented on the matter of consolidation and control in its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2007 (A/63/474, para. 22). **The Advisory Committee recommends that the General Assembly request the Secretary-General to provide an update on the status of consolidation or aggregation of the financial statements of the United Nations in his second progress report on the adoption of IPSAS.**

8. With regard to training, the Secretary-General explained in his report that a common system-wide approach to training was being pursued, which involved the following three phases: a training needs assessment; the procurement of training packages; and the deployment of training. In addition, formal awareness training would commence during the second half of 2008, with an estimated 3,500 United Nations staff members worldwide. Conceptual training using the products of the system-wide project was planned to begin during the first half of 2009, with about 1,200 United Nations staff members to be trained at the specialist level. The Committee was informed that IPSAS-related training would encompass 20 interactive and instructor-led modules and that regional training and a train-the-trainers approach were being considered in order to minimize training-related travel costs. The Committee was also informed that training activities would commence as close to the IPSAS implementation date as possible in order to ensure that participants would be able to apply their new knowledge without a significant time gap between training and practical use. **The Advisory Committee stresses the importance of ensuring that staff are fully trained in IPSAS in advance of its implementation and considers the approach of the Secretary-General to training prudent. The Committee emphasizes that the Secretary-General should continue his efforts in this respect and provide an update in his second progress report on the adoption of IPSAS.**

9. The Secretary-General stated in his report that future financial statements would be based on progressive incorporation of IPSAS standards, contingent on having the IPSAS-required modules of the enterprise resource planning system in place by the end of 2010. Upon enquiry, the Advisory Committee was informed that if the new enterprise resource planning system was operational by late 2010, it would then be possible to complete the financial statements and reports according to IPSAS standards by 2011. In this connection, the Committee recalls the Board of Auditors' observation that the delay in funding the enterprise resource planning would have a direct impact on the implementation of IPSAS and would be likely to result in its postponement to 2011 at the earliest, instead of 2010 as originally planned (see A/63/5 (Vol. I), chap. II, para. 123 (a)). **The Advisory Committee is of the view that it may be advisable to implement IPSAS in 2012 rather than in the middle of the biennial budget period. In this way, the financial statements for the biennium 2012-2013 could be prepared in accordance with IPSAS standards.**

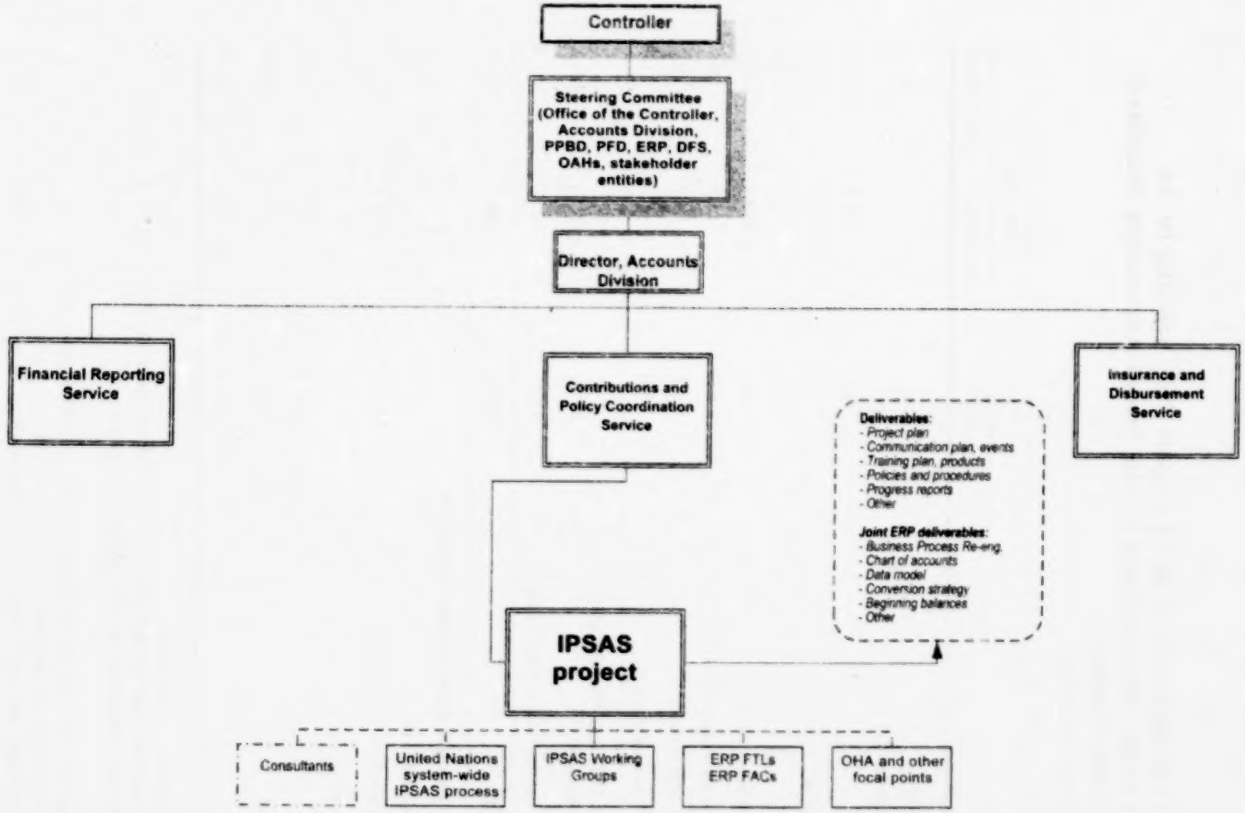
10. Upon request, the Advisory Committee was provided with a chart of the reporting structure of the United Nations IPSAS Steering Committee (see annex I). The Advisory Committee was informed that, at a policy and governance level, the IPSAS Steering Committee reported to the Controller, who was also a member of the steering committee on enterprise resource planning, and that the enterprise resource planning project would be setting up functional advisory committees, with the participation of the IPSAS project team, to interface with key stakeholder groups to ensure that the requirements of the Organization were taken fully into account. The Advisory Committee was also informed that the enterprise resource planning functional team leaders and the IPSAS project team interacted as a matter of routine.

11. Upon request, the Advisory Committee was provided with the status of expenditures as at 31 August 2008 relating to the adoption of IPSAS at the United Nations (see annex II). The Advisory Committee notes that total expenditures for the biennium 2006-2007 amounted to approximately $1.16 million dollars, out of a total appropriation of $4,433,100. For the biennium 2008-2009, as at 31 August 2008, approximately $1.03 million had been expended of the total appropriation of $12.3 million. **While the Committee recognizes that expenditure will likely accelerate as the implementation process progresses during the remainder of the biennium 2008-2009, it nonetheless expresses concern regarding the delays (see para. 5 above) affecting the preparedness of the United Nations and the training of its staff.**

12. **The Advisory Committee recognizes the considerable task involved in the preparation and implementation of IPSAS and notes the significant efforts under way. The Committee looks forward to the second progress report of the Secretary-General, as well as to the report of the Joint Inspection Unit on the system-wide preparedness of United Nations systems organizations for IPSAS (see para. 5 above). The Advisory Committee recommends that the General Assembly take note of the first progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards by the United Nations.**

Annex I

Reporting structure of the International Public Sector Accounting Standards Steering Committee



Abbreviations
DFS Department of Field Service
ERP Enterprise resource planning project
ERP FACs functional advisory committees of the ERP project
ERP FTLs functional team leaders of the ERP project
IPSAS International Public Sector Accounting Standards
OAH offices away from Headquarters
PFD Peacekeeping Financing Division
PPBD Programme Planning and Budget Division
Stakeholder entities: United Nations Office on Drugs and Crime, United Nations Environment Programme, United Nations Human Settlements Programme, International Trade Centre, United Nations University, United Nations System Staff College, United Nations Institute for Training and Research

Annex II

Status of expenditures as at 31 August 2008 relating to the adoption of the International Public Sector Accounting Standards at the United Nations

(Thousands of United States dollars)

	2006-2007	*2008-2009*	
	expenditures	*Initial appropriation*	*Expenditures*[a]
Regular budget			
Object of expenditure			
Posts	370.4	1 145.4	437.5
Consultants	—	1 303.7	—[b]
Travel	10.2	237.5	15.2
Contractual services	16.4	2 769.8	0.8[b]
General operating expenses	5.8	21.8	4.5
Supplies and materials	0.1	4.3	0.1
Furniture and equipment	5.0	—	—
Section 28B, Office of Programme Planning Budget and Accounts	407.9	5 482.5	458.1
Section 30, Jointly financed activities	427.1	701.6	351.4
Subtotal	**835.0**	**6 184.1**	**809.5**
Support account for peacekeeping operations			
Object of expenditure			
General temporary assistance	324.2[c]	1 372.0	217.5[d]
Consultants	—	4 560.0	—[b]
Travel	—	200.0	—
Subtotal	**324.2**[e]	**6 132.0**[f]	**217.5**[g]
Total	**1 159.2**	**12 316.1**	**1 027.0**

[a] These figures are preliminary.

[b] Consultancy and training delayed to synchronize International Public Sector Accounting Standards and enterprise resource planning projects.

[c] Revised.

[d] One vacancy under the peacekeeping support account remains unfilled.

[e] Expenditures for the calendar years 2006 and 2007.

[f] Approved requirements for the 2008/09 peacekeeping fiscal year of $3.1 million, plus an equivalent estimate for 2009/10.

[g] Expenditures to date for the calendar year 2008.